



U.S. Department of Agriculture
Foreign Agricultural Service

Permanent Normal Trade Relations with China **What's at Stake for Alabama?**

Alabama is an important producer of agricultural and wood products exported worldwide. The state's farm cash receipts totaled \$3.4 billion in 1998, and its forest product shipments totaled \$3.5 billion in 1996. As for exports, the value of agricultural products leaving the state was estimated at \$460 million in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.

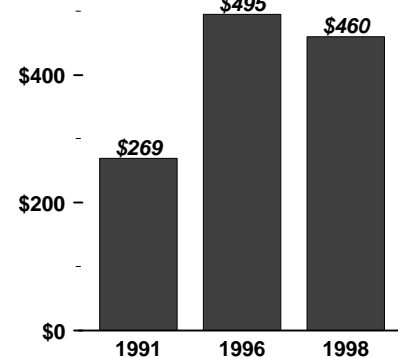
Trade Benefits

The following key products are important to Alabama, and expected to reap some of the largest agricultural export gains from China's accession to the World Trade Organization (WTO).

- # **Poultry Meat**--As one of the top 10 states for poultry production, Alabama poultry and product exports worldwide were estimated at \$270 million in 1998. With imports accounting for 12 percent of total consumption, China is already the second leading market for U.S. poultry exports. Under its WTO accession agreement, China will cut its tariff in half (from 20 percent to 10 percent) by 2004 for frozen poultry cuts. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all poultry meat from the United States that is certified wholesome by USDA.
- # **Cotton**--Alabama is also a cotton-growing state, with cotton exports worldwide estimated at \$75 million in 1998. China is the world's largest consumer and producer of cotton, and one of the largest overseas markets for U.S. cotton. Under its WTO accession agreement, China will establish a tariff-rate quota (TRQ) on cotton of 743,000 metric tons, which will grow to 894,000 metric tons by 2004. Imports under the TRQ will be charged a nominal 1-percent tariff and private traders will be permitted to handle two-thirds of imports under the TRQ. In 1998, China imported less than 200,000 metric tons of cotton from all countries. China's commitment to end export subsidies will reduce its price competitiveness in other markets.
- # **Soybeans and Products**--Alabama's exports of soybeans and products worldwide were estimated at \$29 million in 1998. China is the world's largest growth market for soybeans and products, and has taken important steps under its WTO accession agreement to open its market to these products. Tariffs will be bound at a low 3 percent on soybeans and 5 percent on soybean meal with no quota limits. For soybean oil, the tariff will drop to 9 percent, and the tariff-rate quota and state trading

Alabama's Agricultural Exports

\$ Millions
\$600 -



Source: Economic Research Service, USDA

will be eliminated by 2006.

Solid Wood Products--Alabama has the sixth largest lumber industry in the nation. Spurred by the elimination of certain tariffs on logs and lumber in the 1990's, China has emerged as the world's third largest wood importer. U.S. value-added wood exports to China are at record levels. Under its WTO accession agreement, China will substantially reduce its remaining tariffs on value-added wood products by 2004. Tariffs on plywood will drop from 15 percent to 4 percent. Existing tariffs set at 18 percent on particleboard, oriented strandboard, doors, windows, and flooring will drop to 4 percent, and fiberboard tariffs, currently ranging from 12-18 percent, will drop to 4-7.5 percent.